

Message Text

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USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

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UNCLAS VIENNA 0333

DEPT. PASS TREASURY AND FRB

EO 11652: N/A

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SUBJ: GOA ECONOMIC PRIORITIES TO BE FINANCED BY TAX INCREASES

1. SUMMARY. AT TWO-DAY CAUCUS ON JANUARY 12 AND 13, AUSTRIAN CABINET UNDER CHANCELLOR KREISKY AND LEADING FUNCTIONARIES OF RULING SOCIALIST PARTY DISCUSSED GOA POLICY COURSE AND WORKING PROGRAM FOR CURRENT YEAR. IN THE ECONOMIC POLICY AREA, INITIAL DECISIONS WERE MADE ON TAX INCREASES TO YIELD ADDITIONAL AS 1 BILLION IN THE CURRENT YEAR AND ABOUT AS 3 BILLION ANNUALLY INCREASED REVENUES AS OF 1977 TO BE UTILIZED PRIMARILY FOR STEPPED-UP ROAD CONSTRUCTION, IMPROVEMENT OF TRAFFIC PARTICULARLY OVER SHORT DISTANCES, AND ENVIRONMENTAL PROTECTION. PLANS FOR FURTHER RATIONALIZATION OF AUSTRIAN INDUSTRIES AND EXPORT

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PROMOTION PROGRAMS WERE ALSO DISCUSSED. END SUMMARY

2. BULK OF FUNDS TO BE RAISED THROUGH INCREASE OF PETROLEUM TAX OF ABOUT AS 0.50 PER LITER TO GO INTO EFFECT NOT LATER THAN MARCH 1 IN CONNECTION WITH INCREASE OF CONTROLLED RETAIL PRICE OF GASOLINE DEMANDED BY OIL FIRMS. TOGETHER TAX AND PRICE INCREASES COULD RAISE LITER PRICE OF GASOLINE BY AS MUCH AS AS 1.00 OR UP TO 17 PERCENT. IN ADDITION, MOTOR VEHICLE TAX TO BE INCREASED EFFECTIVE OCTOBER 1, BY AMOUNTS RANGING FROM 50 PERCENT TO 200 PERCENT, WITH LOWEST INCREASES FOR PASSENGER CARS ACCORDING TO ENGINE DISPLACEMENT AND HIGHEST RATES FOR TRUCKS. ALSO, TOLLS FOR USE OF SUPER HIGHWAYS (AUTOBAHN) UNDER CONSIDERATION. APPROVAL BY PROVINCIAL GOVERNMENTS OF AFOREMENTIONED INCREASES WILL HAVE TO BE SOUGHT. ALSO UNDER CONSIDERATION ARE INCREASES OF FEES LEVIES ON TRANSIT TRUCK TRAFFIC. ON THIS POINT, HOWEVER, EXISTING INTERNATIONAL AGREEMENTS ON TIR TRAFFIC WILL HAVE TO BE TAKEN INTO ACCOUNT.

3. INCREASE OF WATER UTILIZATION FEES (SO-CALLED WATER-SCHILLING) FOR STEPPED UP CONTROL OF WATER RESOURCES AND PROTECTION OF WATER QUALITY, ARE DESIGNED TO YIELD ABOUT AS 1 BILLION PER ANNUM. THEY ARE NOT LIKELY TO BE INTRODUCED BEFORE 1977. THESE PROJECTS TO BE CARRIED OUT IN COOPERATION WITH REGIONAL AND LOCAL GOVERNMENTS.

4. IN AREA OF PLANNED REORGANIZATION OF INDUSTRY, GOA WILL PROMOTE CONCENTRATION OF MANUFACTURING FIRMS OPERATING IN THE SAME INDUSTRIAL BRANCH, E.G. TEXTILE, PAPER, AND GLASS SECTORS. CONSIDERATION WILL ALSO BE GIVEN TO MERGING FIRMS PARTLY OR FULLY CONTROLLED BY NATIONALIZED BANKS WITH ENTERPRISES UNDER THE HOLDING COMPANY FOR NATIONALIZED INDUSTRIES, THE OEIAG. SUCH MERGERS COULD CREATE FIRMS WITH COMBINED OEIAG, NATIONALIZED BANK, AND PRIVATE OWNERSHIP.

5. ALSO UNDER CONSIDERATION ARE TAX INCENTIVES TO STIMULATE PRIVATE INVESTMENT, E.G. ACCELERATED DEPRECIATION OF REAL PROPERTIES; AND NEW EXPORT PROMOTION DRIVES, PARTICULARLY TO SPUR EXPORTS TO THE QUOTE ARAB AND ASIAN REGION UNQUOTE. DETAILS ARE TO BE WORKED OUT AND TO BE DISCUSSED AT MINISTERIAL UNCLASSIFIED

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LEVEL ECONOMIC CONFERENCE SCHEDULED FOR NEXT WEEK. IMPLEMENTATION OF THIS YEAR'S CONTINGENT BUDGET, WHICH PROVIDES FOR ADDITIONAL ANTI-RECESSIONAL SPENDING, IS LIKELY AT LEAST IN PART.

6. IN PRESS CONFERENCE CONCLUDING GOA CAUCUS, CHANCELLOR KREISKY REMARKED THAT NEW MEASURES LARGELY BASED ON ASSUMPTION THAT WORLD ECONOMIC CRISIS NOT YET OVERCOME

AND THUS GOA WILL CONTINUE TO STRIVE FOR MAINTENANCE
OF AS-HIGH-AS-POSSIBLE EMPLOYMENT LEVELS AND MITIGATION
OF DECELERATION OF ECONOMIC GROWTH.

7. AS EXPECTED, CONTEMPLATED INCREASES OF TAXES AND USER FEES,
MET WITH FIERCE CRITICISM FROM THE TWO OPPOSITION PARTIES,
FEDERAL CHAMBER OF COMMERCE AND CONSERVATIVE BUSINESS AND
MOTORISTS ORGANIZATIONS.BUCHANAN

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